
SENATE BILL No. 387

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-20-6.

Synopsis: Escrow interest and escrow trust fund. Requires lenders who issue or service mortgages to pay interest on escrow accounts. Provides that the interest earned on escrow accounts goes to the escrow trust fund to provide: (1) financial assistance to lower income families for the purchase of affordable housing in the form of grants, loans, and loan guarantees; (2) loans or grants for the acquisition, construction, rehabilitation, development, operation, and insurance of public housing; (3) grants to emergency shelters for the homeless; and (4) grants to municipal corporations to reduce property taxes.

Effective: July 1, 2002.

Simpson

January 10, 2002, read first time and referred to Committee on Insurance and Financial Institutions.

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Introduced

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

SENATE BILL No. 387

A BILL FOR AN ACT to amend the Indiana Code concerning state offices and administration.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-20-6 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2002]:

4 **Chapter 6. Escrow Trust Fund**

5 **Sec. 1. This chapter does not apply to a mortgage:**

6 (1) **required by a federal rule or regulation to maintain an**
7 **escrow account;**

8 (2) **that:**

9 (A) **is a conventional loan having an original principal**
10 **amount that is less than eighty percent (80%) of the**
11 **appraised value at the time of the loan; and**

12 (B) **does not require an escrow account; or**

13 (3) **that is made or maintained by the federal Department of**
14 **Veterans Affairs, the federal Department of Housing and**
15 **Urban Development, or the federal Farm Service Agency.**

16 **Sec. 2. As used in this chapter, "authority" means the Indiana**
17 **housing finance authority established by IC 5-20-1-3.**

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1 **Sec. 3. As used in this chapter, "fund" means the escrow trust**
 2 **fund established by section 7 of this chapter.**

3 **Sec. 4. As used in this chapter, "lender" means:**

4 **(1) an individual or other entity that has the authority to**
 5 **make loans;**

6 **(2) a person:**

7 **(A) organized, chartered, or holding an authorization**
 8 **certificate under the laws of a state or of the United States**
 9 **that authorizes the person to make loans and to receive**
 10 **deposits, including a savings, share, certificate, or deposit**
 11 **account; and**

12 **(B) subject to supervision by an official or agency of a state**
 13 **or of the United States;**

14 **(3) an insurance company;**

15 **(4) a pension fund; or**

16 **(5) a mortgage servicer (as defined in 24-4.5-1-301(21));**
 17 **that issues or services mortgages on residential real property**
 18 **located in Indiana.**

19 **Sec. 5. As used in this chapter, "trust account" means the**
 20 **escrow trust account required in section 6 of this chapter.**

21 **Sec. 6. (a) A lender shall create and maintain an escrow:**

22 **(1) account for all funds received and held by the lender for**
 23 **taxes or insurance on the real property; and**

24 **(2) trust account for the interest earned on escrow accounts.**

25 **(b) A lender shall pay interest on all funds received and held by**
 26 **the lender for taxes or insurance on the real property. However,**
 27 **interest paid on an escrow account is not part of the escrow**
 28 **account and must be deposited into a trust account.**

29 **(c) A lender must pay interest on the funds in the escrow**
 30 **account at a rate of two percent (2%) from the date of receipt of**
 31 **the funds until the funds are expended by the lender for insurance**
 32 **or taxes on the property.**

33 **(d) Earnings in a trust account may not be made available to a**
 34 **lender.**

35 **(e) Not later than July 1 of each year, each lender shall deposit**
 36 **the money from its trust account into the fund.**

37 **Sec. 7. (a) The escrow trust fund is established to provide:**

38 **(1) financial assistance in the form of grants, loans, and loan**
 39 **guarantees to lower income families for the purchase of**
 40 **affordable housing;**

41 **(2) loans or grants for the acquisition, construction,**
 42 **rehabilitation, development, operation, and insurance of**

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public housing;

(3) grants to emergency shelters for the homeless; and

(4) grants to a municipal corporation (as defined in IC 36-1-2-10) to reduce property taxes.

(b) The fund shall be administered by the authority.

(c) The fund consists of:

(1) deposits to the fund from a lender's trust account;

(2) appropriations from the general assembly;

(3) gifts and grants to the fund; and

(4) investment income earned on the fund's assets.

(d) The expenses of the fund shall be paid from the money in the fund.

(e) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(f) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

Sec. 8. Not later than July 1, 2003, the authority shall adopt rules under IC 4-22-2 and written policies and procedures necessary to carry out this chapter, including the following:

(1) Criteria for grant, loan guarantee, and loan eligibility.

(2) Development of an application process.

(3) Establishment of a procedure for disbursing loans and grants from the fund.

(4) Establishment of a rate of interest for a loan made under this chapter.

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